

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**NEUMIN PRODUCTION COMPANY
AI # 89060**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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* **Enforcement Tracking No.**
* **AE-CN-01-0110**
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SETTLEMENT

The following Settlement is hereby agreed to between Neumin Production Company (“Neumin” or “Respondent”) and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

I

Respondent owns and operates the Reeds No. 1 oil and gas production facility located at 7560 Lake Street in Lake Charles, Calcasieu Parish, Louisiana.

II

The Reeds No. 1 oil and gas production facility was inspected by representatives of the Department on March 7, 2001. Based on that inspection, the Department issued a Consolidated

Compliance Order & Notice of Potential Penalty (“CO/NOPP”), Enforcement Tracking No. AE-CN-01-0110, to Neumin on or about June 21, 2002 . The CO/NOPP related solely to Neumin’s operation of the Reed No. 1 oil and gas production facility and was based upon the following allegations of fact:

A. Respondent has been operating without a permit since 1997 in violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.

B. The Glycol Reboiler stack was piped to a knockout tank which was vented to the atmosphere. The glycol unit at the Reeds No. 1 failed to meet the 85% reduction rate on its still-column emissions as a result of failure to install controls on the reboiler stack in violation of LAC 33:III.2116.B.2 nd Section 2057(A)(2) of the Act.

III

In response to the CO/NOPP, Respondent, on or about July 17, 2002, made a timely request for a hearing. Additionally, Respondent filed a *Protective Petition for De Novo Review Pursuant to La. R. S. 30:2050.4* in the Nineteenth Judicial District Court (In re: Neumin Production Company, No. 499,485, Section “D,” 19th JDC, Parish of East Baton Rouge, State of Louisiana).

IV

Respondent, in a voluntary effort to fully disclose all matters to DEQ, informed and self-disclosed to DEQ that Respondent operated additional facilities, including additional oil and gas production facilities, in the State of Louisiana that were similarly situated to Reeds No. 1. Table 1, attached hereto and made a part hereof, contains a list of all such facilities operated by Neumin in the State of Louisiana.

V

Neumin, without the necessity of any formal enforcement action, promptly applied for and obtained the appropriate air quality permits for all facilities currently operated by it in the State of Louisiana. Under LAC 33:III, "Air," the regulations governing air quality in the State of Louisiana, all of Neumin's facilities in Louisiana are regarded as minor sources of emissions. Each such facility has received a minor source permit from the DEQ; specifically, each operating facility, including each oil and gas production facility, has obtained coverage under the DEQ's Standard Oil and Gas Air Permit. Further, Neumin installed the appropriate air quality control devices on each of its facilities as required by the regulations.

VI

Neumin has successfully fulfilled the terms and orders contained in the CO/NOPP and is in compliance with the terms, conditions, and orders therein. Further, the Neumin facilities, as listed in Table 1, have the appropriate air quality permits, have the appropriate air quality control devices, and are in compliance with the air quality rules and regulations governing their operations.

VII

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties as alleged in the CO/NOPP. Respondent further denies that it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

VIII

Nonetheless, Respondent, without making any admission of liability under state or federal

statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of \$83,562.09 (of which \$1,000 represents DEQ's enforcement costs, and \$8,524.00 represents annual fees due to DEQ that have not yet been paid) in settlement of all claims set forth in this agreement. The Settlement specifically includes a resolution of any claims that were made, or could have been made, against Neumin for operation of its facilities as listed in Table 1 without the proper permits or air quality control devices. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

IX

Respondent further agrees that the Department may consider the inspection report(s) and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

X

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any

right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

XI

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

XII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Calcasieu and Cameron Parishes. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XIII

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department.

Penalties are to be made payable to the Department of Environmental Quality and mailed to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303.

XIV

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XV

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

TABLE 1
LIST OF FACILITIES

WELL NAME	A.I. #	PERMIT NO.	DATE OF APPROVAL
DOUBLE RANCH #1 PROD	89216	0520-00251-00	7/11/01
NOBLE 11 #1 PROD FACIL	90769	0520-00263-00	9/21/01
PALVEST #1 TANK BATT	91762	None Assigned	9/21/01
BURLINGTON RES #1 TNK BT	93372	0520-00281-00	12/13/01
FLORIDA GAS SALES	93363	0520-00277-00	12/13/01
PRAIRIE LAND CO. #1 TNK BT	93367	0520-00279-00	12/20/01
PRAIRIE LAND CO. #2 TNK BT	93369	0520-00280-00	12/20/01
PRAIRIE LAND CO. #3 TNK BT	93375	0520-00283-00	12/20/01
TEMPLE-INLAND #3 TNK BAT	93375	0520-00283-00	12/20/01
TEMPLE-INLAND #4 TNK BAT	93376	0520-00284-00	12/20/01
TGP SALES DEHY FAC-BUHL	93373	0520-00282-00	12/20/01
CRAVENS #1 PROD FACIL	89521	0520-00255-00	1/7/02
DREW MANUAL 15 #1 TANK	91158	0520-00269-00	1/7/02
LAKE CHARLES NAVAL STORES	89535	0520-00257-00	1/7/02
REEDS #1 PROD FACIL	89060	0520-00250-00	1/7/02
WALKER #1 TANK BATTERY	91780	0520-00271-00	1/7/02
WILMA HOPSON #1 TNK BAT	91921	0520-00272-00	1/17/02
STATE LEASE 16232 #1 TANK	91922	0520-00273-00	1/17/02
WM LAWTON 2 #1 FACILITY	90398	0520-00260-00	3/4/02
QUATRE PARISH CO. #1 TK BT	92111	0520-00275-00	3/14/02
TEMPLE-INLAND #16-1 TK BT	91159	0520-00270-00	3/14/02
TEMPLE-INLAND #1 TNK BAT	90936	0520-00267-00	3/25/02
TEMPLE-INLAND #2 TNK BAT	90751	0520-00261-00	3/25/02
WILLIE BREAUX #1	94434	0520-00289-00	3/28/02
BECKWITH CREEK SALES	9770	0520-00264-00	5/15/02
ODOM #1 PROD FACIL	101466	056000187-00	8/21/02
WATSON 14#1 PROD FACIL	101492	0520-00299-00	8/26/02
LAWTON 12 #1 PROD FACIL	101532	0520-00300-00	8/27/02
LEDOUX #1 PROD FACILITY	101758	0520-00302-00	9/9/02
CHARLES E. FONTENOT #1		SHUT-IN	N/A

WITNESSES:

Presiding Parsons

NEUMIN PRODUCTION COMPANY

BY: Tony Chen
(Signature)

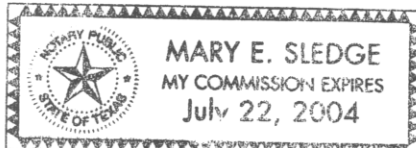
Mr. Tony Chen

(Printed)

Jeffrey Marchese

TITLE: Assistant Vice President

THUS DONE AND SIGNED in duplicate original before me this 12th day of
January, 20 04, at Point Comfort, Texas.



Mary E. Sledge
NOTARY PUBLIC

WITNESSES:

Cliff Wood
Linda J. Housewright

STATE OF LOUISIANA

Mike D. McDaniel, PhD., Secretary
Department of Environmental Quality

BY: Harold Leggett
Harold Leggett, PhD., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 11 day of
May, 20 04, at Baton Rouge, Louisiana.

Andre Z. Jones
NOTARY PUBLIC
#25426

Approved: R. Bruce Hammatt
R. Bruce Hammatt, Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

April 29, 2004

Mike D. McDaniel, Secretary
La. Department of Environmental Quality
Office of the Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

Re: Review of DEQ Settlement;
Neumin Production Company
AE-CN-01-0110

RECEIVED

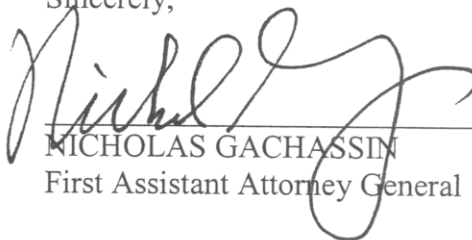
MAY 10 2004

**LA Dept. of Environmental Quality
LEGAL DIVISION**

Dear Secretary McDaniel:

Pursuant to the authority granted to me by R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,


NICHOLAS GACHASSIN
First Assistant Attorney General

NG/cbw